



**Testimony
Before the Finance, Revenue & Committee
Friday, March 10, 2023**

**Testimony in Support of
HB 5290 AN ACT SUNSETTING THE HIGHWAY USE TAX**

Good afternoon, Senator Fonfara, Representative Horn, Representative Cheeseman, Senator Martin, and distinguished members of the Finance Committee. My name is Jeff Spiegel, and I am VP – Operating Taxes of Penske Truck Leasing.

Penske Truck Leasing is a Penske Transportation Solutions company headquartered in Reading, Pennsylvania. A leading global transportation services provider, Penske Truck Leasing operates and maintains more than 416,000 commercial vehicles across its North America network.

I am grateful for the opportunity to submit testimony in SUPPORT of HB 5290 AN ACT SUNSETTING THE HIGHWAY USE TAX. I SUPPORT HB 5290 because it would relieve a burdensome new tax.

The rental and leasing industry consists of nearly 500 entities which collectively purchases nearly 40% of the new class 3-8 vehicles constructed annually. Penske who is a large part of this industry, has seen a significant impact from how this tax was structured. The Truck Leasing and Rental Industry provides registration and tax compliance services to their customers by utilizing the benefits of consolidated tax filings afforded to the owner of the commercial vehicle. The Connecticut Highway Use Tax, as currently enacted, circumvents every efficiency and equity afforded other forms of commercial vehicle taxing by prohibiting our Industry the option of compliance by either the owner or the operator.

Simply stated, it is not simple for our customers to comply with.

To begin with, just to be able to operate in Connecticut, our short-term rentals, which is a large part of our business (100,000's of transactions annually), now must establish an account, print the permit, and file a return for the vehicles they rent. They will have to remember to print and bring the permit with them each time they rent a vehicle from a rental and leasing company whether that rental is just for a day or a longer period. This is an extensive burden they do not experience in any other jurisdiction and will be especially problematic outside of the northeast area where trips to the northeast would be less frequent.

Further to that last point, any carrier with limited trips through Connecticut does not have the option of obtaining a trip permit (one time use) to comply with the tax. Instead, they must open an account and will be subject to a hearing if they have filed a return of zero Connecticut miles for four consecutive months despite the fact they only infrequently travel in Connecticut. This adds an undue burden to Industry, Taxpayer, and the State.

Additionally, the monthly return carriers will be required to file mandates additional data points that the taxpayers, who are not owners of the assets, would not have readily available access to. The filing



requires the VIN (vehicle serial number) and license plate information for each vehicle to be entered into the portal to file the tax. This requirement adds a burden to our industry to provide the necessary data so the taxpayer/carrier can file their returns. It also offers little to no functional value since there is not another tax mechanism that takes distance at the unit level to reconcile against.

Lastly, having another tax mechanism to satisfy that is utilizing the same data as existing tax structures creates a burden on both Industry and State. The vehicle category subject to this tax is a subset of the same as those present in IRP (International Registration Plan) and IFTA (International Fuel Tax Agreement) which govern the interstate movements of commercial motor vehicles in North America. Connecticut is a member jurisdiction in both IRP and IFTA. In general, if there is a need for additional road use funds, leveraging existing tax infrastructure to capture those funds would be the preferred option.

Complexity fosters non-compliance, or worse, evasion.

Both IRP and IFTA are international tax compliance compacts that were created through the cooperation of jurisdiction and taxpayer alike. They have been around for decades and serve as prime examples of equitable and efficient methods of commercial motor vehicle taxation.

That stated, if Connecticut was to retain the existing structure, we would strongly request a few modifications to aid our Industry in the ability to comply with the tax. The suggested modifications are designed to ease the burden on all parties while helping to ensure that Connecticut accomplishes the goals for which the tax was instituted:

- Provide a Registrant Account option for the Rental and Leasing industry
 - Allows Leasing companies to register their vehicles in their own account for purposes of tax compliance
 - Available today in ALL, New York included, of the various road use tax structures (IFTA, IRP, HUT)
 - Significantly reduces tax registration and filing volumes for Taxpayer and State
 - Aids in the compliance of the tax
- Redefine how the impacted vehicles are identified
 - Vehicle classification is too broad
 - Using registered GVW as many other road tax models use (IRP, IFTA, HUT, HVUT)
- Move to a summary level filing of the distance or at least eliminate the need for plate information in the returns and utilize VIN or equipment number only

I stand in strong SUPPORT of HB 5290. The sunseting of this tax will reverse an otherwise inequitable tax scheme in form and function. I thank you for your time and consideration of this matter.

I respectfully ask that you to support the sunseting of the highway use tax.